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SUBJECT: The Places In Between: Afghanistan Dreams of an East-West Highway

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¶1. (U) Summary: Afghanistan's Ministry of Public Works (MPW) recently presented donors a formal proposal for an east-west highway, one of the most ambitious and expensive infrastructure projects proposed in the post-Taliban era. The road would create a trade and development corridor stretching from the Iranian to Pakistani borders and a shorter alternative to the nearly complete ring road. With an estimated cost above \$1 billion, extensive donor outreach and coordination will be necessary to ensure this signature project is funded and completed. Although India has expressed interest in supporting this project, it was not represented at the donor meeting. We will make sure Indian Embassy representatives are invited to the follow-up meetings. We will also continue to coordinate with the Japanese and Italian Embassies, as both their Ambassadors have expressed possible interest in the project. End summary.

The Road: A Major Undertaking

¶2. (U) At a February 3 meeting, the MPW unveiled a plan for a 665-kilometer highway from Herat to Gardandewal via the Salma Dam, Kamenj, Bedan and Chaghcharan. (The Italian Government, which was in attendance, has already committed to fund a road from Gardandewal to Kabul.) Bisecting the ring road, the highway would cut through some of Afghanistan's most rugged territory and would gain nearly 7,000 feet in altitude from Herat to Ghor and Bamyan provinces. According to the MPW, the United Nations wanted to build the road in the 1950s, and the U.S. expressed interest in 2002 but was unable to identify funding. If funded, MPW representatives said the road should take five years to build.

¶3. (U) Approximately 1 million Afghans live in areas along the potential road. Central Afghanistan is one of the poorest areas of the country, and many residents migrate to cities in search of work. MPW representatives said a road would ease the burden on Afghanistan's cities by improving the economy of the central provinces, creating incentives for migrants to return. MPW also estimates that a road would lower vehicle operating costs by \$48 million per year by reducing the driving distance between Kabul and Herat from 1,047 to 750 kilometers. A highway could increase tourism to the historic sites along its route, and many sites with mineral potential, including marble mines at Chesti Sharif, lie near the road.

Cost Estimates May Not be Realistic

¶4. (U) The feasibility study for the road, completed in 2005, estimates a cost of \$600,000 per kilometer and a total cost of \$432 million. However, road experts in attendance agreed the current cost of construction on similar roads is between \$800,000 and \$1 million per kilometer - before accounting for security, consultant and project management fees and the cost of demining, environmental mitigation and resettlement. These supplemental costs tack on an

additional 65 to 70 percent of costs, pushing the cost per kilometer toward \$1.5 million - and the total cost to approximately \$1 billion at current prices.

15. (U) MPW's proposal divides the project into six portions. The ministry seeks donors for each. Stated costs per section range from \$17.4 million for Kamenj - Bedan to \$198 million for Chaghcharan - Gardandewal. However, here too, the actual cost of these sections will likely reach \$35 million and \$400 million, respectively, when security and consultant costs are added and the construction costs are computed more accurately.

Donors Interested, But Need More Information

16. (U) Besides the Government of Italy, other potential non-U.S. donors in attendance included the World Bank, Asian Development Bank, Japan International Cooperation Agency (JICA), Germany's KfW Development Bank and the European Commission. (Note: the EC representative announced his organization cannot commit to large-scale infrastructure funding but is able to share its experience funding the earlier Kabul-Jalalabad-Torkham Gate road.) The Italian Government representative said Italy is interested in supporting additional sections of the road, mainly around Herat, where Italy oversees Regional Command - West, but Rome has only authorized \$12 million over three years from 2011, and only as part of a multilateral consortium. India has expressed interest in this project but was not represented at the meeting. Some donors broached the idea of utilizing the Afghanistan Reconstruction Trust Fund, a pool of assistance from many countries, as a possible funding mechanism, particularly since even the least expensive sections are beyond the reach of small donors.

17. (U) MPW representatives emphasized that this meeting was an initial presentation and that more specific, detailed information

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will be provided to interested donors. Attendees questioned where this project stands in the long list of the Afghan Government's development priorities.

18. (U) Comment: An east-west road is a compelling project, despite its difficulty and cost. The ring road has brought tangible benefits to people living near it and the country as a whole, and a central road is a logical next step. Experience building the ring road has shown that security conditions near a project site can change dramatically in short time and donors and contractors must commit to finishing large-scale projects despite changes on the ground. As a result, the Afghan Government must present a more realistic estimate of its cost and actively coordinate among donors.

Assuming GIROA does so, we will actively work to support this project among other donors, and will consider how we can add support given our own limited infrastructure budget. (NB: During a meeting with Ambassador Wayne on February 4 (septel), the Japanese Ambassador noted Japan's potential interest in the road and we agreed both Embassies will keep in touch on this project.) End comment.

EIKENBERRY